



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

January 11, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

SACRAMENTO UPDATE - GOVERNOR'S FY 2008-09 PROPOSED BUDGET

Yesterday, Governor Schwarzenegger released his \$129.8 billion FY 2008-09 Proposed Budget which would close a \$14.5 billion shortfall and establish a \$2.8 billion reserve. At the same time, pursuant to Proposition 58, the California Balanced Budget Act of 2004, the Governor also introduced a plan to eliminate an estimated \$3.3 billion FY 2007-08 shortfall by declaring a State fiscal emergency and calling an Extraordinary Session of the Legislature. The Legislature has 45 days to address the fiscal emergency, or it will be prohibited from acting on any other bills or adjourning in joint recess until such legislation is passed.

The combined shortfall for both fiscal years is \$17.8 billion. The Governor proposes to reduce the FY 2007-08 shortfall through the issuance of Economic Recovery Bonds (\$3.3 billion), eliminate the over-appropriation of Proposition 98 funding (\$400 million), implement 10 percent across-the-board reductions (\$217 million), make other special session decreases (\$200 million), enhance tax collection and enforcement (\$60 million), and establish a budgetary reserve (\$872 million), which combined with some State budget solutions would produce a \$4.2 billion reserve at the beginning of FY 2008-09.

The FY 2008-09 \$14.5 billion shortfall is addressed by using the beginning FY 2008-09 reserve (\$4.2 billion), suspending the scheduled prepayment of existing Economic Recovery Bond obligations for FY 2008-09 (\$1.5 billion), implementing 10 percent across-the-board reductions (\$9.3 billion), accruing corporate and personal income revenue in FY 2008-09 (\$2 billion), enhancing tax collection and enforcement (\$329 million) and imposing Extraordinary Session solutions (\$96 million). He also proposes to address cash flow shortfalls by delaying over \$2.1 billion in payments to counties and Medi-Cal providers for various health and human services programs.

At his press conference, the Governor emphasized the need to adopt structural reforms in the State Budget to permanently correct ongoing chronic deficits. He will pursue a Constitutional Amendment entitled, "The Budget Stabilization Act," to prevent extraordinary expenditure increases in years with robust economic growth and provide the State with an array of budgetary tools to reduce spending quickly when necessary to avoid a deficit.

FY 2007-08 COUNTY IMPACT

The Governor's major program proposals impacting the County in FY 2007-08 include:

- CalWORKs reforms -- \$21.4 million reduction; and
- Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program -- impact unknown.

The major areas of impact on the County, resulting from the 10 percent across-the-board cuts, include:

- Substance Abuse and Crime Prevention Act (Proposition 36) Program and Offender Treatment Program -- \$1.1 million;
- Alcohol and Drug Programs -- \$1.0 million;
- Mental Health Managed Care Allocation -- \$1.5 million; and
- Medi-Cal Provider and Managed Care rates -- \$900,000.

The estimated FY 2007-08 impact to the County that can be identified at this time is \$25.9 million.

Attachment I includes the list of FY 2007-08 items of interest by program.

FY 2008-09 COUNTY IMPACT

The Governor's major program proposals impacting the County in FY 2008-09 include:

- CalWORKs reforms -- \$113 million reduction;
- Child Welfare Services Administration -- \$38.6 million reduction;
- Federal Safety Net Care Pool Payments -- \$11.4 million reduction;
- Alcohol and Other Drug Programs -- \$6.6 million reduction;
- Medi-Cal Managed Care Rate -- \$3.5 million reduction;
- HIV/AIDS Treatment and Prevention -- \$1 million reduction; and
- Medi-Cal Administration Payments to counties -- impact unknown.

The major areas of impact on the County, resulting from the 10 percent across-the-board cuts, include:

- Food Stamp Administration -- \$11.6 million;
- In Home Support Services Administration -- \$8.3 million;
- Juvenile Probation and Camp funding -- \$8.0 million;
- Mental Health Managed Care Allocation -- \$7.6 million;
- Juvenile Justice Crime Prevention Act funding -- \$3.3 million;
- Substance Abuse and Crime Prevention Act (Proposition 36) Program and Offender Treatment Program -- \$3.1 million;
- Adult Protective Services Program -- \$2.6 million;
- Citizens Option for Public Safety Program -- \$900,000;
- Family Health Programs -- \$204,000; and
- Library funding -- \$140,000.

The estimated FY 2008-09 impact to the County that can be identified at this time is \$219.8 million.

On the positive side, the Governor did not exercise the State's option to borrow local government's property tax revenues pursuant to Proposition 1A of 2004, the Protection of Local Government Revenues Act. In addition, the Proposed Budget fully funds Proposition 42 which will provide \$58 million to the County for local streets and roads maintenance.

Attachment II includes the list of FY 2008-09 items of interest by program.

FY 2008-09 STATEWIDE CASH FLOW IMPACTS

As mentioned previously, the Governor also proposes to delay over \$2.1 billion in payments to counties and Medi-Cal providers for various health and human services programs for cash-flow purposes. The chart below provides a breakdown of the estimated dollar impact by program.

Delayed Payments to Counties

Program	Description	Dollar Impact
Social Services Payments, except SSI/SSP and IHSS	Delays the July and August payments and advances to counties for social services programs until September.	\$814.2 million
Mental Health Manage Care	Delays the program advance from July until September.	\$199.7 million
County Administration of Medi-Cal	Delays the first quarter payment from August to September.	\$164.3 million
Early and Periodic Screening, Diagnosis and Treatment (EPSDT)	Delays the quarterly advance to counties from July to September.	\$ 92.0 million
Total delayed payments to counties		\$ 1.27 billion

Delayed Payments to Medi-Cal Providers

Provider	Description	Dollar Impact
Institutional Fee-For-Service Providers	Delays the August payments to September.	\$454 million
Managed Care Plans and Delta Dental	Delays the August payments to September.	\$232 million
Fee-For-Service Providers	Delays the June 2008 and 2009 payment into July.	\$165 million
Total delayed payments to Medi-Cal providers		\$851 million

STRATEGIC GROWTH PLAN

The Governor's Budget includes a proposal for the issuance of \$48.1 billion in new general obligation bonds to augment the \$42.7 million in bond funding for infrastructure improvement projects which was approved by voters in November 2006. The Strategic Growth Plan proposes that the new bonds be placed on the 2008 and 2010 general election ballots. If approved, the proposed bonds will be used to finance the following components through 2016:

- K-12 Education facilities -- \$11.6 billion;
- Higher Education facilities -- \$12.3 billion;
- Water -- \$11.9 billion;
- High Speed Rail -- \$10.0 billion;
- Judiciary -- \$2.0 billion; and
- Other public service infrastructure -- \$ 0.3 billion.

A complete report on the estimated impact will be prepared in collaboration with departments and issued shortly.

Attachments

WTF:GK:MAL
DD:MR:IGA:hg

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

FY 2007-08 ITEMS OF COUNTY INTEREST

Health

Medi-Cal Provider and Managed Care Rates. Reduces Medi-Cal provider rates by \$33.4 million for physicians and other medical and service providers, and makes a proportionate reduction in Medi-Cal managed care rates. The estimated impact to the County is \$900,000.

Medi-Cal Optional Benefits. Eliminates \$24 million in optional benefits for adults including incontinence creams and washes, acupuncture, dental, audiology, optometry, optical, chiropractic, podiatry, psychology, and speech therapy.

Public Health

Alcohol and Other Drug Programs. Reduces funding by \$2.5 million for Alcohol and Other Drug Programs, primarily through a reduction in Drug Medi-Cal provider rates. The estimated impact to the County is \$1.0 million.

Proposition 36. Reduces funding by \$3.3 million for Proposition 36, the Substance Abuse and Crime Prevention Act of 2000. The estimated impact to the County is \$0.9 million.

Substance Abuse Offender Treatment Program. Reduces funding by \$667,000 for this program which contains some of the reforms of Proposition 36 of interest to the Administration, and requires a 10 percent County match. The estimated impact to the County is \$169,000.

Mental Health

Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program. Reduces \$6.7 million for the EPSDT Program, which provides comprehensive and preventive health services, including mental health services, to Medi-Cal recipients under the age of 21. Reductions would be achieved by requiring prior authorization by mental health providers for EPSDT Program day treatment that exceeds six months, eliminating the annual cost-of-living increase, and reducing the non-inpatient State Maximum Allowance. In addition, it delays \$92 million for the quarterly advance to counties for the EPSDT Program from July 2008 to September 2008.

Mental Health Managed Care. Reduces \$8.2 million for Mental Health Managed Care primarily by eliminating the annual cost-of-living increase and reducing the non-inpatient State Maximum Allowance. The estimated impact to the County is \$1.5 million.

Social Services

CalWORKs Reforms. Proposes reforms to the CalWORKs Program effective June 1, 2008 for an estimated State savings of \$73.7 million. The estimated impact to the County is \$21.4 million. The reforms include:

- **Graduated Full Family Sanction.** Reduces the child-only portion of the grant by 50 percent when the adult does not comply with work requirements for an accumulated total of six months. The case would be closed if the adult has a total of 12 months of non-compliance.
- **Modified Safety Net Elimination.** Maintains the child-only CalWORKs grant beyond the 60-month time limit when the able-bodied adult meets the Federal work participation requirements. Safety Net benefits would be eliminated if the adult does not meet the work participation requirements.
- **Child-Only Benefits.** Limits child-only benefits to 60 months when the parent or caretaker is an undocumented non-citizen, a convicted drug felon or a fleeing felon.

California Food Assistance Program (CFAP). Reduces CFAP benefits by 10 percent, \$9.14 per person per month, effective June 1, 2008 for State savings of \$200,000.

Supplemental Security Income/State Supplementary Payment (SSI/SSP) COLA. Suspends the June 2008 COLA for State savings of \$23.3 million. This proposal will limit resources for needy aged, blind and disabled persons throughout the State.

Child Welfare Services. Proposes a 10 percent reduction to the Basic Care, Specialized Care, Clothing Allowance, Seriously Emotionally Disturbed Children, Kin-GAP, and Adoption Assistance Program rates effective June 1, 2008 for State savings of \$6.7 million. These reductions would negatively impact providers and the quality of life of children in foster care.

Justice and Public Safety

Vertical Prosecution Grants. Reduces Vertical Prosecution Grants by \$600,000. These funds support local district attorney offices in prosecuting more complicated criminal cases by allowing the use of dedicated resources for these cases.

Courts. The Strategic Growth Plan proposes legislation to place a \$2 billion general obligation bond measure before the voters to expand and repair the infrastructure for the State's court system to address significant caseload increase and reduce delays. It indicates that this funding would enable the courts to leverage private funding through public-private partnerships.

Drug Court Program. Reduces funding for the Drug Court Program by \$1 million. This program provides treatment alternatives under the oversight of the court for persons accused of committing a criminal drug offense.

Transportation

Article XIX Gas Tax Apportionments. Proposes Budget Trailer Bill language to postpone until September 2008 the monthly transfer of excise tax revenues from the Highway Users Tax Account to cities and counties for local streets and roads maintenance for the months of April through August 2008. The Governor's Budget proposes a loan of \$500 million from the Highway User Tax Account to the State General Fund. If this proposed trailer bill is approved, the Department of Public Works indicates there will be a delay of approximately \$52 million in gas tax payments to the County, which are primarily used for salaries and equipment to operate and maintain the County's extensive transportation infrastructure in the unincorporated areas.

Tribal Gaming Proceeds. Several lawsuits have prevented the bonds from being sold, and the projected date that the tribal bond revenues will be available has changed numerous times. The Proposed Budget now assumes spending the tribal compact cash as it is received until the date that the sale of bonds can be determined. The Governor's Budget proposes to deposit \$100 million into the State Highway Account. Local jurisdictions, including Los Angeles County, are recipients of part of these funds through competitive grants.

Natural Resources and Environmental Protection

State Park System. Reduces \$1.0 million in the State Department of Parks and Recreation affecting the State Park System. This proposed reduction and the related FY 2008-09 proposed reduction, as indicated in Attachment II, would result in the closure of State parks and affect the utilization by Los Angeles County residents. The affected State parks are Topanga State Park, Santa Susana Pass State Historic Park, Los Encinos State Historic Park, Will Rogers State Historic Park and Pio Pico State Historic Park. The County has provided funding support for the Pio Pico State Historic Park.

Low-Emission School Buses. Proposes a \$234.8 million (\$1.2 million General Fund) reduction in one time funding, including a \$192.2 million reduction from Proposition 1B to replace pre-1987 school buses and retrofit old diesel school buses.

Department of Toxic Substances. Reduces funding for the Department of Toxic Substances Control's Site Mitigation and Brownfields Reuse program by \$1.3 million.

FY 2008-09 ITEMS OF COUNTY INTEREST

General Government

Mandates. Pursuant to the provisions of Proposition 1A, the Protection of Local Government Revenues Act of 2004, local government mandate reimbursements were exempted from the Governor's budget balancing reductions. The Proposed Budget includes \$139 million for reimbursement claims for costs incurred prior to July 1, 2007. However, \$75 million in estimated claims has been eliminated which will delay reimbursement until actual claims are reimbursed in FY 2009-10.

February 2008 Presidential Primary. Excludes funding to conduct the February 2008 Presidential Primary Election. Intent to reimburse counties for the cost of this election was provided for in SB 113 (Chapter 2, Statutes of 2007). According to the California State Association of Counties (CSAC), the Governor's staff recently indicated that funding will be appropriated once the costs of the election are known. It is estimated that the cost for the County to conduct the election would be \$20 million.

Elections. Includes \$42.3 million in Federal funds for the Secretary of State to continue the implementation of the Help America Vote Act (HAVA). Of this amount, \$38.8 million is designated to implement the VoteCal voter database system and \$3.5 million is designated for other HAVA activities including assistance for disabled voters, voter education, voting systems and certification, interim voting systems, and administration.

California State Library. Proposes a reduction of \$5.1 million in State support to local libraries. The reduction includes: \$1.6 million related to State operations; \$1.4 million in the transaction-based reimbursement program; and \$1.4 in the Public Library Foundation Program. The estimated impact to the County is \$140,000.

Military and Veteran Programs. Includes \$9.4 million to the California Department of Veteran Affairs (CDVA) for the construction and activation phases of the Veterans Homes in West Los Angeles and Ventura County.

The Governor's Budget also proposes a reduction of \$523,000 within the CDVA for veterans' claims and subvention to counties. The proposed reduction will impact outreach efforts and local assistance to the county veteran service offices. The estimated impact to the County is \$29,000.

Food and Agriculture. Provides an increase of \$7.5 million for the Border Inspections Program which will result in the full funding (\$5.5 Million) for the High Risk Plant Pest Exclusion Program.

Subventions for Open Space Act. Proposes a \$3.9 million reduction from the Subventions for Open Space Act (Williamson Act) Tax Relief Program. The Williamson Act authorizes any city or county to enter into a contract with the owner of agricultural land for the purpose of preserving that land in accordance with the conditions established by the Act and that contract. The estimated impact on the County from this reduction is \$4,000.

Health

Medi-Cal Provider and Managed Care Rates. Reduces Medi-Cal provider rates by \$602.4 million for physicians and other medical and service providers, and makes a proportionate reduction in Medi-Cal managed care rates.

The reductions in Medi-Cal provider rates for inpatient services do not affect the County. However, the reductions may affect Medi-Cal Cost-Based Reimbursement Clinic revenue which the County receives. This will require further clarification through discussions with the State.

The impact on the County of the Managed Care Rate reduction is estimated at \$3.5 million for directly operated health facilities. However, there may be other health financing mechanisms that may be used to offset this impact. Further, there may be an additional impact, which cannot currently be calculated, to the DHS Office of Managed Care when it implements these reductions for providers in their managed care provider network.

Federal Safety Net Care Pool Payments. Shifts \$34.4 million of Federal Safety Net Care Pool payments from designated public hospitals to the portions of the California Children's Services (CCS), Genetically Handicapped Persons, Medically Indigent Adult Long-Term Care, and Breast and Cervical Cancer Treatment programs, which are eligible for these funds. This shift will allow a corresponding reduction in the State General Fund for these programs. The estimated reduction to the County is \$11.4 million.

Non-Medi-Cal Hospitals. Reduces \$30 million in reimbursement rates for hospitals that do not contract with Medi-Cal. This reduction does not affect the County.

Disproportionate Share Hospital (DSH) Payments. Reduces \$24 million for DSH replacement payments for private hospitals. These payments are allocated to hospitals based on their uncompensated Medi-Cal and uninsured care costs. This reduction does not affect the County as it applies only to the private hospitals.

Medi-Cal Payments to Counties. Reduces \$75.8 million in Medi-Cal payments to counties, including elimination of the cost-of-living adjustment for county eligibility, administrative, and support positions; elimination of caseload growth funding that is used to hire additional county staff to address increased workload due to increases in Medi-Cal eligibles; a reduction of the county administration base, which provides

funding for staff, support, and staff development costs associated with the Medi-Cal eligibility process; and reductions in funding for administration of the California Children's Services and Child Health and Disability Programs.

Medi-Cal Optional Benefits. Eliminates \$134 million in optional benefits for adults including incontinence creams and washes, acupuncture, dental, audiology, optometry, optical, chiropractic, podiatry, psychology, and speech therapy.

Managed Risk Medical Insurance Board (MRMIB) Healthy Families. Reduces \$41.9 million by reducing rates for Healthy Families Program plans, increasing premiums and co-pays, and instituting an annual cap on dental benefits. MRMIB administers the Healthy Families Program, as well as other programs which provide health care coverage to certain populations without health insurance. The Healthy Families Program provides low-cost medical, dental and vision coverage to eligible children from birth to age 19.

Trauma Care Fund. Does not restore the \$10 million funding allocation for trauma care services which was vetoed by the Governor in FY 2006-07.

Public Health

HIV/AIDS Treatment and Prevention. Reduces State support and local assistance by \$11 million for AIDS programs, including AIDS Education and Prevention, AIDS Epidemiology Studies and Surveillance, AIDS Drug Assistance, and HIV Counseling and Testing. The Budget indicates that at this reduced level of funding, the State will continue to meet the Federal maintenance-of-effort requirement for receipt of Ryan White Act funds. The estimated impact to the County is approximately \$1.0 million.

Family Health Programs. Reduces \$5.4 million for State support and local assistance funding for case management services for at-risk teens, domestic violence prevention, and education activities including breastfeeding, nutrition, and Sudden Infant Death Syndrome risk reduction. The estimated impact to the County is \$204,000 which includes the loss of both State and related Federal funds.

Local Chronic Disease Programs. Reduces \$3.3 million for State support and local assistance funding for cancer and injury prevention surveillance activities, developing public health interventions, and monitoring environmental contaminants.

Alcohol and Other Drug Programs. Reduces \$16.1 million for Alcohol and Other Drug Programs, primarily through a reduction in Drug Medi-Cal provider rates. The estimated impact to the County is approximately \$6.6 million.

Proposition 36. Reduces funding by \$10 million for Proposition 36, the Substance Abuse and Crime Prevention Act of 2000. The estimated impact to the County is \$2.6 million.

The Budget also reduces \$2 million for the Substance Abuse Offender Treatment Program which contains some of the reforms of Proposition 36 of interest to the Administration, and requires a 10 percent County match. The estimated impact to the County is \$507,000.

Mental Health

Integrated Services for Homeless Adults with Serious Mental Illness (AB 2034 Program). Does not restore program funding for the AB 2034 Program. The 2007 Budget Act eliminated \$54.9 million for this program which provides funding to local mental health agencies to act as the single point of responsibility for comprehensive services for individuals who are homeless or at risk of homelessness or incarceration and have a serious mental illness. This action resulted in a \$17 million loss of revenue to the County Department of Mental Health and the discontinuation of intensive mental health services to over 1,700 adults with severe mental illness throughout the County.

Mental Health Managed Care. Reduces \$23.8 million for Mental Health Managed Care primarily by eliminating the annual cost-of-living increase and reducing the non-inpatient State Maximum Allowance. The estimated impact to the County is \$7.6 million.

Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program. Reduces \$46.3 million for the EPSDT Program, which provides comprehensive and preventive health services, including mental health services to Medi-Cal recipients under the age of 21. Reductions would be achieved by requiring prior authorization by mental health providers for EPSDT Program day treatment that exceeds six months, eliminating the annual cost-of-living increase, and reducing the non-inpatient State Maximum Allowance.

Social Services

CalWORKs Reforms. Proposes reforms to the CalWORKs Program effective June 1, 2008 for an estimated savings of \$389.1 million. This will result in an estimated reduction of \$113 million to the County, The reforms include:

- **Graduated Full Family Sanction.** Reduces the child-only portion of the grant by 50 percent when the adult does not comply with work requirements for an accumulated total of six months. The case would be closed if the adult has a total of 12 months of non-compliance. We estimate this proposal may potentially impact 10,395 cases involving 19,100 children in Los Angeles County.
- **Modified Safety Net Elimination.** Maintains the child-only CalWORKs grant beyond the 60-month time limit when the able-bodied adult meets the Federal work participation requirements. Safety net benefits would be eliminated if the

adult does not meet the work participation requirements. This will potentially impact 14,300 families and 33,700 children.

- **Child-Only Benefits.** Limits child-only benefits to 60 months when the parent or caretaker is an undocumented non-citizen, a convicted drug felon or a fleeing felon. This will impact approximately 15,200 families and 25,200 children.

CalWORKs Child Care. Proposes \$420 million for Stage 1 Child Care and \$509.1 million for Stage 2 with five percent of this total (\$46.5 million) held in reserve.

CalWORKs Cost of Living Adjustment (COLA). Provides \$134.4 million to increase CalWORKs grants 4.25 percent effective July 1, 2008. This increase would increase the ability of CalWORKs families to meet basic living expenses.

California Food Assistance Program (CFAP). Reduces CFAP benefits by \$9.14 per person per month for State savings of \$2.5 million.

Food Stamp Administration. Reduces county administrative funding by \$34.9 million (\$14.4 million State and \$20.5 million Federal). The estimated impact to the County is \$11.6 million.

Statewide Fingerprint Imaging System (SFIS). Proposes \$8.27 million to maintain SFIS.

Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) System. Proposes \$12.6 million for LEADER and \$1.3 million for the LEADER replacement system in the social services budget.

In-Home Supportive Services (IHSS). Reduces IHSS domestic and related services by 18 percent. This will reduce services to IHSS recipients an average of six hours per month for a State savings of \$109.4 million. In addition, this may reduce service hours for IHSS providers below the 80 hour per month threshold for health care benefits.

IHSS Administration. Reduces county administrative funding by \$10.2 million and assumes a reduction of \$14.2 million in Federal Medicaid reimbursements for a total reduction of \$24.4 million. The estimated impact to the County is \$8.3 million.

Medi-Cal Eligibility Determination. Proposes to eliminate continuous 12-month eligibility to benefits for children and reinstitute quarterly reporting for State savings of \$92.2 million. This will result in discontinuance for an undertermined number of children.

Supplemental Security Income/State Supplementary Payment (SSI/SSP) COLA. Suspends the COLA for State savings of \$330.2 million. This proposal will limit resources for needy aged, blind and disabled persons throughout the State.

Adult Protective Services (APS). Reduces funding by \$6.1 million and assumes the loss of an additional \$5.3 million in Federal Medicaid reimbursements for health-related services provided under APS for a total reduction of \$11.4 million. The estimated reduction on the County is \$2.6 million. This proposal would reduce caseworker response time and may increase potential elder and dependent adult abuse and neglect.

Senior Nutrition Programs. Reduces funding by \$569,000 for congregate and home delivered meals. Further analysis is needed to determine the impact of this reduction on the County's senior citizens.

Child Welfare Administration. Proposes an 11.4 percent reduction in county funding for Child Welfare Services for State savings of \$83.7 million, and assumes a reduction of \$45.9 million in Federal funds for a total reduction of \$129.6 million. Based on this reduction, the County would lose approximately \$29.2 million in Title IV-E Waiver related funding and approximately \$9.4 million in non-waiver programs for a total of \$38.6 million. Further analysis is needed to determine the impact of this reduction on the County's Title IV-E Waiver and the delivery of services to children in foster care.

Child Welfare Services. Proposes a reduction to the Basic Care, Specialized Care, Clothing Allowance, Seriously Emotionally Disturbed Children, Kin-GAP, and Adoption Assistance Programs rates for State savings of \$168.1 million. These reductions would negatively impact providers and the quality of life of children in foster care.

Transitional Housing Program-Plus. Proposes \$40.8 million to provide housing and supportive services for former foster youth 19 to 24 years of age.

Child Support Services. Proposes \$196.9 million for local agency administrative costs, approximately the same level of funding provided in the current year.

Child Support Pass-Through. Proposes to increase the amount of the child support passed through to CalWORKs families from \$50 to \$100 effective January 1, 2009.

Full Restoration of Human Services Programs. Does not include a proposal to restore the State process of budgeting human services programs based on reasonable costs in order to adequately fund cost of doing business adjustments for counties. Since June 2001, the State has not granted any cost of doing business adjustments for counties to administer various mandated human services programs on behalf of the State. These programs include: Adoptions, Adult Protective Services, CalWORKs, Child Welfare Services, Food Stamps Administration, Foster Care Eligibility, and In-Home Supportive Services. As a result, responsibility for cost increases for salaries, health benefits, workers compensation, leases, utilities, and other related costs have been shifted to counties. According to an estimate prepared by CSAC, the California Welfare Directors Association (CWDA), and the Urban Counties Caucus (UCC) during the first year of the Legislative Session, the State's failure to fund cost of doing business adjustments has shifted an estimated \$793 million per year to counties. Based on that

amount, the estimated impact on the County is approximately \$238 million annually. CSAC, CWDA and UCC have formed a task force to develop a strategy to pursue proposals that restore a process that provides cost of doing business adjustments for counties.

Justice and Public Safety

Mentally Ill Offender Crime Reduction Grants (MIOCR). Provides \$40.1 million for MIOCR Grants, a reduction of \$4.5 million from FY 2007-08.

Juvenile Probation and Camps. Provides \$181.3 million in funding for juvenile probation camps, a reduction of \$20.1 million from FY 2007-08. The estimated reduction to the Probation Department is \$8 million.

Office of Gang and Youth Violence Policy. Provides \$1.3 million to establish the Statewide Office of Gang and Youth Violence Policy. This office was established pursuant to AB 1381 (Chapter 459, Statutes of 2007) and will be responsible for the identification and evaluation of violence suppression, intervention and prevention programs at the local, State and Federal levels.

Juvenile Justice Crime Prevention Act. Proposes a reduction in funding of \$11.9 million which would result in an estimated \$3.3 million reduction to the County.

Citizens' Option for Public Safety. Proposes a reduction in State funding of \$11.9 million which would result in an estimated \$900,000 loss to the County.

Drug Court Funding. Proposes a reduction of \$3.1 million for Drug Court programs.

AB 900 Local Jail Bond Funding. Sustains bond funding of \$750 million in Phase I and \$470 million in Phase II for the construction and renovation of local jail facilities.

Vertical Prosecution Grants. Reduces Vertical Prosecution Grants by \$1.6 million. These funds support local district attorney offices in prosecuting more complicated criminal cases by allowing the use of dedicated resources for these cases.

Gang Suppression Enforcement Teams. Includes \$5.3 million to fund State Gang Suppression Enforcement Teams. These teams provide multi-jurisdictional law enforcement resources to address criminal gang activities. The impact to the County would be \$50,000.

California Multi-Jurisdictional Methamphetamine Enforcement Team. Includes ongoing funding of \$20.1 million to provide resources for investigators and prosecutors specializing in methamphetamine offenses to reduce production and distribution. Impact to the County would be \$170,000.

Booking Fee Subvention. Proposes a reduction of \$3.5 million in booking fee subvention. The estimated loss to the Sheriff is \$70,000. The State is granting local jurisdictions the ability to increase booking fees by an amount commensurate to the reduction in the subvention.

Property Insurance Surcharge. Proposes the imposition of a 1.25 percent surcharge on commercial and residential property insurance. Annual State proceeds from the surcharge are estimated at \$104.9 million. Funds would be used to enhance the State's firefighting capabilities and would be provided to CalFIRE, Office of Emergency Services and the National Guard.

Regional Operational Readiness. Increases funding by \$3.2 million to increase staffing at the three regional offices of the Office of Emergency Services to enhance coordination of emergency preparedness, response and recovery operations throughout the State.

State Re-Entry Facility Funding. Redirects \$1.625 billion in State bond funding intended to support the construction of inmate re-entry facilities to be sited in local communities. The redirected funds would be set aside to address the needs of the Federal Court with regard to a lawsuit related to the conditions of confinement in State prisons.

Workers' Compensation Insurance Fraud. Includes \$4 million to the Department of Insurance to assist local district attorneys in the prosecution of workers' compensation fraud.

Transportation

Proposition 42. Proposes to fully fund Proposition 42 at \$1.5 billion, including \$83 million for loan repayment pursuant to Proposition 1A of 2006, \$594 million to the State Transportation Improvement Program (STIP), \$297 million to the Public Transportation Account, and \$594 million to cities and counties for local streets and roads maintenance. The Department of Public Works (DPW) indicates their share of the local streets and roads maintenance funding from Proposition 42 is approximately \$58 million. Also, DPW indicates that of the \$594 million for the STIP, approximately \$99 million will be allocated to projects in the Los Angeles region.

Transportation Bond - Proposition 1B. Proposes to allocate \$4.7 billion in bond funds, including: \$1.547 billion for Corridor Mobility; \$350 million for Local Transit Program; \$1.186 billion for the State Transportation Improvement Program; \$500 million for Trade Corridors; \$200 million for State/Local Partnerships; \$216 million for the State Highway Operations and Protection Program; \$65 million for the Grade Separation Program; \$108 million for Highway 99; \$21 million for Local Seismic Retrofit; \$73 million for Intercity Rail; \$400,000 for School Bus Retrofit; \$250 million for Air Quality; \$101 million for Transit Security; and \$58 million for Port Security. Also, the Budget

proposes an additional \$3.2 million to fund workload increases associated with the implementation and administration of Proposition 1B bond funds.

DPW indicates that no funds are allocated for the Local Streets and Roads Program and there is \$600 million remaining under this program to be allocated to counties in the State by formula distribution. The County of Los Angeles expects to receive approximately \$117 million from these funds.

Tribal Gaming Proceeds. Several lawsuits have prevented the bonds from being sold, and the projected date that the tribal bond revenues will be available has changed numerous times. The Proposed Budget now assumes spending the tribal compact cash as it is received until the date that the sale of bonds can be determined. The Governor's Budget proposes to deposit \$100 million into the State Highway Account. Local jurisdictions, including Los Angeles County, are recipients of part of these funds through competitive grants.

Rail Operations. Proposes \$106 million to manage and coordinate intercity rail passenger services that provide commuters with a range of transportation options, help to improve the State's air quality, and reduce highway congestion and fuel consumption.

Housing

Housing Bond - Proposition 1C. Proposes \$771 million in awards to the following program areas authorized by Proposition 1C: \$188 million for affordable homeownership programs; \$190 million to provide affordable rental housing; \$40 million for farmworker housing; \$24 million for emergency housing assistance; \$200 million for the Infill Incentives Grant Program; \$95 million for transit-oriented development; and \$30 million for Housing Urban-Suburban and Rural Parks Program to create incentives to increase housing production by rewarding local governments with grant funds to create or improve well designed parks. Overall, the \$771 million represents a decrease of \$202 million from FY 2007-08.

Proposition 46. Proposes to spend \$36.8 million from Proposition 46 (Housing and Emergency Shelter Trust Fund Act), which will fully expend the bond funds.

Natural Resources and Environmental Protection

Natural Resources Management. Proposes \$1 billion in Proposition 84 funds for natural resources programs, including: \$350 million to the Department of Water Resources for regional projects that increase water supplies, encourage water conservation, improve water quality, and reduce dependence on exported water; \$89.1 million for the State Coastal Conservancy to restore coastal wetlands and watersheds and promote public access to the coast; \$16.7 million to the State Department of Parks and Recreation for deferred maintenance, interpretive exhibits, and cultural and natural stewardship projects at state parks; \$26.4 million for the Ocean Protection Council to develop marine protected areas and enhance habitat for marine

species; \$33.3 million for the California Conservation Corps and local conservation corps for public safety and watershed restoration projects; and \$15.8 million for the Department of Water Resources to complete feasibility studies for surface water storage projects, evaluate climate change impacts on the State's water supply and flood control systems, and develop a strategic plan for the sustainable management of the Sacramento-San Joaquin Delta's water supplies and ecosystem. DPW indicates that the Antelope Valley's Integrated Regional Water Management Plan contains many projects that meet the requirements for funding from the \$350 million allocation for regional projects.

Water Quality. Proposes \$100.5 million in local assistance from Proposition 84 for the State Water Resources Control Board to continue water quality programs, including: \$46.1 million for the Clean Beaches Grant Program; \$44.8 million for the Urban Stormwater Grant Program; \$7.8 million for the Agricultural Water Quality Grant Program; and \$1.7 million to provide low interest loans or grants for wastewater treatment facilities and pollution control projects. DPW indicates that the County should be eligible to receive funding from the Clean Beaches Grant Program and the Urban Stormwater Grant Program.

Flood Control. Proposes \$598.3 million from Proposition 1E and Proposition 84 bond funds for urgent flood control needs, including: \$461.1 million to provide flood control subventions to local governments, and to provide grants for urgent repairs and improvements of levees in the Central Valley and Delta; \$126.5 million for levee evaluations and the repair of critical levee erosion sites; and \$10.7 million for five flood control capital projects in Northern California.

AB 32 – Global Warming Solutions Act. Proposes \$5.6 million in the Air Pollution Control Fund to continue implementation of programs and strategies to reduce greenhouse gas emissions and other contributing factors to global warming. AB 32 requires greenhouse gas emissions to be reduced to 1990 levels by 2020 and authorizes the development of a market-based compliance program.

Environmental Protection Programs. Reduces funding by \$8.3 million for the Environmental Protection Agency, including \$4.3 million for the State Water Resources Control Board for various programs, including Total Maximum Daily Load assessment, non-point source programs, and the National Pollution Discharge Elimination Systems Program.

State Park System. Reduces \$13.3 million in the Department of Parks and Recreation affecting the State Park System. This proposed reduction and the related FY 2007-08 proposed reduction, as indicated in Attachment I, would result in the closure of State parks and affect the utilization by Los Angeles County residents. The affected State parks are Topanga State Park, Santa Susana Pass State Historic Park, Los Encinos State Historic Park, Will Rogers State Historic Park and Pio Pico State Historic Park. The County has provided funding support for the Pio Pico State Historic Park.

Renewable Energy. Proposes \$100.9 million to the California Energy Commission to begin implementation of the Alternative and Renewable Fuel and Vehicle Technology program to develop and deploy new alternative fuel and vehicle technologies.

Fleet Modernization. Augments the Air Quality Improvement Fund by \$1.6 million to develop and implement the Air Quality Improvement Program and Enhanced Fleet Modernization program.

On- and Off-Road Mobile Sources. Proposes \$8.5 million to focus on the Air Resources Board's implementation and enforcement efforts related to controlling toxic diesel particulates from on- and off-road mobile sources. These include regulations relative to in-use off-road diesel vehicles, composite wood formaldehyde emissions, and diesel auxiliary engines for port and ocean-going vessels.